

DEPARTMENT OF STATE REVENUE**LETTER OF FINDINGS NUMBER: 99-0510****Sales/Use Tax—Vehicle Lease Transactions****For Tax Periods: 1996 through 1997**

NOTICE: Under IC 4-22-7-7, this document is required to be published in the Indiana Register and is effective on its date of publication. It shall remain in effect until the date it is superseded or deleted by the publication of a new document in the Indiana Register. The publication of this document will provide the general public with information about the Department's official position concerning a specific issue.

ISSUES**I. Sales/Use Tax—Vehicle Lease Transactions**

Authority: IC 6-8.1-5-1(b)

Taxpayer protests the assessment of Indiana sales tax on the trade-in allowances given to its customers in lease transactions.

STATEMENT OF FACTS

Taxpayer, an automobile dealership, sells and services new and used automobiles. Taxpayer also negotiates automobile leases with its customers. Audit and taxpayer are in disagreement as to the amount of sales tax that should have been collected by taxpayer in its vehicle leasing arrangements. Taxpayer protested the assessment and waived the administrative hearing. This letter of findings is written based on the information in the file. Further facts will be provided as necessary.

I. Sales/Use Tax—Vehicle Lease Transactions**DISCUSSION**

As part of its automotive leasing business, taxpayer negotiates lease agreements with its customers. In arriving at the selling price of a leased vehicle, the final cost to the customer is partially offset by any capital cost reductions (down payments). These down payments usually represent cash tendered, manufacturer's rebates, and any trade-in allowances. Taxpayer collected sales tax on the cash tendered and on the value of the manufacturer's rebates. Taxpayer, however, did not collect sales tax on the trade-in allowances. Audit has concluded that the taxpayer should have collected and remitted sales tax on the trade-in allowances.

Pursuant to Indiana Code Section 6-8.1-5-1(b), “The notice of proposed assessment is prima facie evidence that the department’s claim for the unpaid tax is valid. The burden of proving that the proposed assessment is wrong rests with the person against whom the proposed assessment is made.”

Taxpayer, through its Power of Attorney, protested the assessment but did not offer any evidence that the assessment was invalid. As such, the taxpayer failed to meet the burden imposed by IC 6-8.1-5-1(b).

FINDING

Taxpayer’s protest is denied.

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